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UNITED STATES DEPARTMENT OF AGRICULTURE  
BUREAU OF AGRICULTURAL ECONOMICS  
WASHINGTON

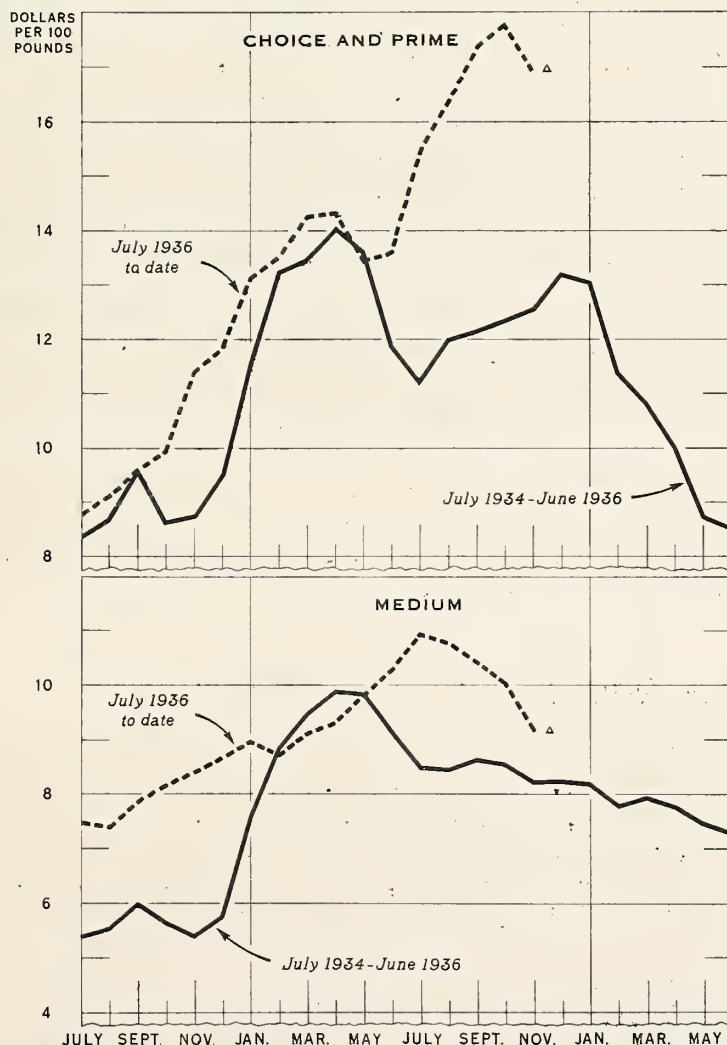
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NOVEMBER 19, 1937

THE BEEF CATTLE SITUATION

: THIS ISSUE CONSISTS OF THE REGULAR ANNUAL OUTLOOK:  
: REPORT ON BEEF CATTLE, ISSUED THIS MONTH BY THE BUREAU:  
: OF AGRICULTURAL ECONOMICS. A BRIEF REVIEW OF DEVELOP-  
: MENTS DURING THE PAST MONTH IS ALSO INCLUDED. :

BEEF STEERS\*: AVERAGE PRICE AT CHICAGO, JULY 1934 TO DATE



\*SOLD OUT OF FIRST HANDS FOR SLAUGHTER

Δ AVERAGE FOR FIRST TWO WEEKS IN NOVEMBER 1937

## REVIEW OF RECENT DEVELOPMENTS

All except best grades of cattle decline in October

With continued small supplies of well-finished grain-fed cattle, prices of choice and prime grade steers at Chicago advanced somewhat further in October from the relatively high levels reached a month earlier. Prices of such steers averaged \$17.77 per 100 pounds in October, which was the highest monthly average in 16 years of record. Prices of most other grades of slaughter cattle, however, were somewhat below the 1925-29 average for the month. The spread between prices of choice and prime and of common grade slaughter steers at Chicago averaged \$10.42 in October, which was \$7 greater than that of a year earlier and the greatest spread in the 16 years of record.

Except for the best grades of steers, prices of all classes and grades of slaughter cattle declined in October. Prices of medium grade steers at Chicago, averaging \$10 for the month, were nearly 40 cents lower than a month earlier; while prices of good grade cows, averaging \$7.40, were nearly 60 cents lower than a month earlier. The downward movement in prices of the lower grades of slaughter cattle began in early summer, with prices of common grade steers first declining in July, and prices of medium grade steers and good grade cows in August. Prices of good grade steers and heifers declined in September and October. Most of the declines were seasonal in nature, resulting from increased supplies of the lower grades.

Further declines in prices of the lower grades of cattle occurred in the first 2 weeks of November. The decline also in prices of the best grades of slaughter steers indicate that the peak in prices for such cattle in the current year probably has been reached.

Prices of stocker and feeder cattle declined from mid-August to early November. The average price of stocker and feeder steers of all weights and grades at Kansas City in October was \$7.58 compared with \$8.09 a month earlier, and \$6.01 a year earlier.

Slaughter supplies increased less than seasonally

Slaughter supplies of cattle increased somewhat less than seasonally from September to October. In October, the number of cattle slaughtered under Federal inspection, totaling 958,000 head, was 2 percent larger than that of September, but was 15 percent smaller than in October a year earlier. Inspected calf slaughter in October, totaling 525,000 head, was 2 percent smaller than a month earlier and 10 percent smaller than in October 1936.

Feeding situation

Shipments of stocker and feeder cattle from public stockyards into the Corn Belt States from July through October were about 15 percent larger this year than in 1936, about the same as in 1935, and about 6 percent larger than the 5-year, 1932-36 average. The proportion of these shipments going into the States east of the Mississippi River was much the largest on record, and the total number also was the largest. Although the number going into the States west of the Mississippi River was larger this year than last, it was the second smallest on record.

Direct shipments of stocker and feeder cattle into the Corn Belt, not going through public stockyards, are indicated to have been about the same or somewhat smaller from July to October this year than last. After making allowance for cattle carried over from last year, it appears that the number of cattle to be fed in the Corn Belt States will be much larger in the current feeding season than last, but will not be large in comparison with numbers fed in most years before 1934.

Reports as of November 1 as to the probable number of cattle to be fed in the Western States this winter indicate that the number in the Rocky Mountain States will be little different from last year; but rather sharp reductions in the number to be fed are indicated for the Inter-mountain and Pacific States. Larger supplies and lower prices of cottonseed cake and hulls compared with those of a year ago are expected to result in some increase in cattle feeding in Texas and Oklahoma, and probably in other Cotton Belt States. Shipments of feeder cattle into the Lancaster, Pennsylvania, feeding area were the largest ever reported for the period from July through September, and the number of cattle fed in this area will be relatively large.

Price per 100 pounds of cattle and calves, October 1937 with comparisons

Classification	: Oct. : average: : 1924-33:	: Oct. : 1935	: Oct. : 1936	: Aug. : 1937	: Sept. : 1937	: Oct. : 1937
	: Dollars	: Dollars	: Dollars	: Dollars	: Dollars	: Dollars
Beef steers sold out of first: hands at Chicago -						
Choice and Prime .....	12.23	12.31	9.93	16.38	17.38	17.77
Good .....	10.83	10.81	9.10	13.97	13.88	13.39
Medium .....	8.92	8.54	8.14	10.76	10.40	10.01
Common .....	7.04	6.47	6.58	8.23	8.01	7.35
All grades .....	10.39	10.38	9.31	14.13	13.78	12.79
Cows, Chicago:						
Good .....	<u>1/</u> 6.54	5.99	5.76	8.19	7.97	7.40
Low cutter and cutter....	<u>2/</u> 3.76	3.79	3.78	4.74	4.66	4.34
Vealers, Chicago:						
Good and Choice .....	10.72	9.76	9.48	11.16	11.80	10.80
Stocker and feeder steers,						
Kansas City -						
500 - 800 pounds, good						
and choice .....	<u>3/</u>	7.59	6.24	8.68	8.46	7.88
800 - 1050 pounds, good						
and choice .....	<u>3/</u>	7.29	6.50	9.91	9.43	8.54
Average price paid by						
packers -						
Cattle .....	6.83	5.85	5.84	7.66	7.56	
Calves .....	8.24	6.88	6.31	8.11	8.13	

1/ Good and choice, 1924-27.

2/ Canner and cutter, 1924 - June 1926.

3/ Not available.



## Slaughter and market supplies of cattle and calves, specified periods

Item	Unit	Oct. average: 1924-33	Oct. 1936	Aug. 1937	Sept. 1937	Oct. 1937
Inspected slaughter <u>1/</u> :	:	:	:	:	:	:
Cattle .....	thousands:	879	1,124	880	939	958
Calves .....	"	431	585	538	537	525
Beef steers sold out of first hands at Chicago:	:	:	:	:	:	:
Choice and Prime .....	"	20	35	19	13	5
Good .....	"	44	18	23	18	20
Medium .....	"	21	8	8	10	9
Common .....	"	7	5	4	4	3
All grades <u>2/</u> .....	"	92	65	54	45	38
Receipts of cattle at seven markets <u>3/</u> .....	"	4/ 978	922	836	854	861
	:	:	:	:	:	:
	:	Sept. average: 1924-33	Sept. 1936	July 1937	Aug. 1937	Sept. 1937
Inspected slaughter:	:	:	:	:	:	:
Cows and heifers .....	thousands:	386	579	445	527	581
Steers .....	"	386	445	309	294	316
Average live weight:	:	:	:	:	:	:
Cattle .....	pound	943	909	894	888	883
Calves .....	"	199	212	190	206	215
Average dressed weight:	:	:	:	:	:	:
Cattle .....	"	508	477	465	454	451
Calves .....	"	112	116	108	116	120
Total dressed weight:	:	:	:	:	:	:
Cattle .....	mil. lb.	405	508	365	397	421
Calves .....	" "	43	64	56	62	65
Stocker and feeder shipments from public stockyards <u>5/</u> :	:	:	:	:	:	:
Cattle .....	thousands:	406	320	190	330	379
Calves .....	"	34	59	33	51	58
Imports:	:	:	:	:	:	:
Cattle <u>6/</u> .....	"	19	23	45	57	30
Canned beef <u>7/</u> .....	1,000 lb.:	8/ 2,752	6,439	10,323	6,842	10,421

1/ Bureau of Animal Industry.2/ Totals of unrounded numbers.3/ Chicago, Kansas City, Omaha, East St. Louis, St. Joseph, Sioux City, and St. Paul.4/ Average 1929-33.5/ Approximately 62 public stockyards prior to 1936, when the number was increased to 69.6/ United States Department of Commerce. General imports prior to 1934, beginning January 1, 1934, imports for consumption.7/ United States Department of Commerce and United States Tariff Commission. Imports for consumption.8/ Figures include "other canned meats", prior to 1929.

1. The first part of the paper is devoted to a general discussion of the problem of the existence of solutions of the system of equations (1) and (2) under the assumption that the functions  $f_i(x)$  and  $g_j(x)$  are continuous and satisfy certain conditions.

2. In the second part, we consider the case when the functions  $f_i(x)$  and  $g_j(x)$  are piecewise continuous and the system of equations (1) and (2) is solved in the class of piecewise continuous functions. It is shown that under certain conditions, the system has a unique solution.

3. In the third part, we consider the case when the functions  $f_i(x)$  and  $g_j(x)$  are continuous and the system of equations (1) and (2) is solved in the class of continuous functions.

4. In the fourth part, we consider the case when the functions  $f_i(x)$  and  $g_j(x)$  are continuous and the system of equations (1) and (2) is solved in the class of functions that are continuous except for a finite number of points.

5. In the fifth part, we consider the case when the functions  $f_i(x)$  and  $g_j(x)$  are continuous and the system of equations (1) and (2) is solved in the class of functions that are continuous except for a countable number of points.

6. In the sixth part, we consider the case when the functions  $f_i(x)$  and  $g_j(x)$  are continuous and the system of equations (1) and (2) is solved in the class of functions that are continuous except for a set of measure zero.

7. In the seventh part, we consider the case when the functions  $f_i(x)$  and  $g_j(x)$  are continuous and the system of equations (1) and (2) is solved in the class of functions that are continuous except for a set of measure zero.

8. In the eighth part, we consider the case when the functions  $f_i(x)$  and  $g_j(x)$  are continuous and the system of equations (1) and (2) is solved in the class of functions that are continuous except for a set of measure zero.

9. In the ninth part, we consider the case when the functions  $f_i(x)$  and  $g_j(x)$  are continuous and the system of equations (1) and (2) is solved in the class of functions that are continuous except for a set of measure zero.

10. In the tenth part, we consider the case when the functions  $f_i(x)$  and  $g_j(x)$  are continuous and the system of equations (1) and (2) is solved in the class of functions that are continuous except for a set of measure zero.



UNITED STATES DEPARTMENT OF AGRICULTURE  
Bureau of Agricultural Economics

THE OUTLOOK FOR BEEF CATTLE FOR 1938

(Issued November 8)

Summary

Total slaughter of both cattle and calves in 1938 is expected to be smaller than in 1937, with most of the decrease occurring in the first half of the year. Slaughter of steers probably will not be greatly different from that of 1937 and may be slightly larger. In those areas in which cattle numbers have been reduced in recent years because of drought it is expected that some restocking will be done and this will result in fewer cows, heifers, and calves going to slaughter. Because of the larger feed supplies in prospect compared with those of a year earlier and the relatively wide feeding margins obtained in 1937, the number of well-finished cattle for market in 1938 will be much larger than in the current year. The greatest increase in marketings of such cattle over 1937 probably will occur during the period from May to October.

Average weights of cattle slaughtered in 1938 will be considerably heavier than those of a year earlier, and this increase in weight will offset in part the decrease in numbers slaughtered. Total beef supplies for consumption next year, therefore, probably will be nearly as large as in 1937, and will include a larger proportion of beef of the better grades.

In view of the prospects for relatively large marketings of grain-fed cattle during most of 1938, and some weakening in consumer demand for meats, the prices of the better grades of cattle probably will decline more than seasonally during the first half of the year. Prices of cows and of the lower grades of steers during the first half of 1938 probably will advance seasonally and average higher than in the first half of 1937, but in the second half they probably will average lower than a year earlier. The present unusually wide spread in cattle prices is expected to narrow considerably during the next 9 months.

Cattle numbers at the beginning of 1938 are expected to be slightly smaller than those of a year earlier and are likely to represent the low point in the present cattle-number cycle, unless there is a recurrence of drought in 1938 or 1939. The increase in numbers in the next cattle cycle probably will be smaller than that of the two preceding cycles. Most of the expansion in numbers probably will be in those areas in which numbers were sharply reduced in recent years because of drought and feed shortage.

Any general tendency to increase cattle numbers during the next few years is likely to result in an increase in slaughter several years hence, when hog slaughter and total meat supplies will be much larger than at present. Thus any advantage that might be gained by increasing cattle numbers in the near future probably would be more than offset by the price declines that would result later when marketings increase, unless there is a compensating increase in consumer demand.

Cattle Supplies

Slaughter of cattle and calves during 1936 and the first half of 1937 was relatively large as compared with most other years. Marketings during the last half of 1936 were large partly as a result of liquidation caused by the 1936 drought and partly because of the delayed marketing of many grain-fed cattle that originally had been intended for earlier sales. The 1936 drought also affected cattle supplies in 1937. Because of the feed shortage, less than the usual number of cattle were placed on feed in the fall and winter of 1936-37, and those fed were marketed earlier than usual. Marketings of cows were greatly increased because of the relatively high prices obtainable. During the first half of 1937 slaughter of cattle and calves held near the high levels of 1936, but after that period the slaughter of cattle was much smaller than in the previous year. Calf slaughter, however, continued near record levels.

Although inspected slaughter of cattle in the first 9 months of 1937 was 6 percent smaller than in the corresponding period of the previous year, that of calves was 7 percent larger. The combined total of both was the second largest slaughter of cattle and calves for commercial account in any corresponding period of record, being exceeded only by that of the previous year. The outstanding feature in the cattle-supply situation of 1937 was the unusually small number of well-finished grain-fed cattle for slaughter, which was in direct contrast with the very large number of such cattle for sale in 1936. Average weights of cattle slaughtered in 1937 were much lighter than in 1936, hence the decrease in total weight was relatively greater than the decrease in numbers slaughtered.

Records of State of origin of market supplies of cattle and calves thus far in 1937 show a very heavy movement of cattle from Texas, and relatively large shipments from other southwestern States and from most of the States west of the Rocky Mountains. Shipments from the East North Central and the North Atlantic States were fairly large. Marketings of calves from Texas and from the dairy sections of most of the Middle Western States have been large. Marketings of cattle and calves in the South were much larger than average and reflected the increased production that has taken place in that area in recent years.

Slaughter of both cattle and calves thus far in 1937 has been somewhat larger than was expected at the end of 1936, and cattle slaughter has included a much larger-than-average proportion of cows and heifers. The high prices of all feeds and the short supplies of feed grains in many areas accounted for the heavy marketings from many States. The heavy movement from Texas, although caused partly by feed shortage in limited sections, seems to have occurred largely in response to the relatively high prices prevailing during the spring and summer for all kinds of slaughter cattle.

The condition of pastures and ranges this year has been much more favorable than last in most sections, and a much larger production of feed crops (grains and hay) is assured. But feed conditions are still unfavorable in the greater part of the Great Plains extending from Canada to the Mexican Border. The areas most adversely affected include a large territory in Montana, western and southern North Dakota, eastern Colorado, a considerable part of South Dakota, most of Nebraska, Kansas, and Oklahoma, and large sections in both northwestern and southern Texas. Most of this territory



suffered severely in the droughts of 1934 and 1936, and some parts were also adversely affected by drought in 1933. The greatest decrease in cattle numbers since early 1934 has occurred in the area from Texas to the Canadian border. Consequently this area is not in a position to supply as many cattle for market as it has in other recent years. If feed supplies in this area were more plentiful, considerable restocking would take place this year, but with feed and pastures in this area still below average not much restocking can be done for at least another year.

Total slaughter of cattle and calves in 1938 is likely to be smaller than that in 1937, with most of the decrease occurring in the first half of the year. A tendency to hold back breeding stock and to rebuild herds is likely to develop in most areas where numbers have been reduced in recent years because of drought, and this will result in fewer cows, heifers, and calves going to slaughter. Slaughter of steers probably will not be greatly different from that of 1937 and may be slightly larger. In view of the larger feed supplies in prospect as compared with a year earlier, the number of well-finished cattle for market in 1938 will be considerably larger than in 1937. The greatest increase in marketings of such cattle over this year probably will occur during the period from May to October.

#### Cattle Feeding Situation

The proportion of grain-fed cattle in the slaughter supply probably will continue small during the remainder of 1937 and perhaps in early 1938. The number of cattle on feed for market in the Corn Belt States on August 1 was estimated to be about 29 percent smaller than the number on feed August 1, 1936, and apparently was the smallest number on feed on that date in many years. Decreases were reported in both the eastern and the western Corn Belts, but the greatest reduction was in the latter area.

A considerable increase in cattle feeding is expected in late 1937 and in 1938. In addition to the effect of larger feed supplies and lower feed prices, interest in cattle feeding also will be stimulated by a number of other factors, including the current high level of prices of finished cattle, the relatively wide margins obtained in cattle-feeding operations during the past 6 months, and the relatively small number of hogs available for utilizing the increased feed supplies.

Shipments of stocker and feeder cattle from July through September this year were only slightly larger than those of a year earlier, and were still considerably less than average. Such shipments, however, probably will not be a reliable indication this year of the number of cattle to be fed for slaughter. Many of the stocker and feeder cattle purchased or on hand last fall were carried through the winter on maintenance rations and placed on pastures last summer to be fattened when feed supplies became more plentiful. These cattle will comprise a considerable part of the cattle that will be finished for slaughter in the coming year. It is also probable that a much larger proportion of the feeder cattle bought this year will be fattened for slaughter in the current feeding year than was the case in the past year.

In general, cattle feeding operations in 1938 will be on a more nearly normal basis than in 1937, when feed supplies were small. Cattle will be fed more grain and for longer periods. Marketings early in the year will include a large proportion of short-fed and warmed-up cattle, while those later in the year will include a large number of well-finished steers.

Although prices of feeder cattle this fall are considerably higher than a year earlier, prices of corn and other feeds during the current feeding season will be much lower. In view of the cheaper feed costs, the combined cost of feeder cattle and feed in 1937-38 will be somewhat less than in 1936-37. It is probable, however, that prices of grain-fed cattle in 1938, especially in the last three-fourths of the year, will average enough lower than a year earlier to cause cattle feeding margins to be less than the relatively wide margins obtained on cattle marketed in the second half of 1937. Prices of well-finished cattle in 1938, however, are likely to be sufficiently high to result in fairly wide margins over the cost of production for those producers who feed out cattle raised on their own farms.

#### Imported Supplies

Imports of cattle and beef into the United States in the first 8 months of 1937, totaling the equivalent of 253 million pounds dressed carcass weight, were 2 percent larger than those in the corresponding period of 1936. Imports of live cattle and calves were larger than in the previous year, but those of canned beef were smaller. Total imports were equal to about 5 percent of the estimated total dressed weight of cattle and calves slaughtered in this country during the period. This percentage was slightly larger than that of a year earlier.

The number of cattle imported during the first 8 months of 1937 was 23 percent larger than the number imported during the corresponding period of 1936, and was somewhat larger than the number imported in the entire 12 months of 1936. But average live weights of cattle imported in 1937 have been considerably lighter than those of a year earlier. Imports of light calves from Canada and of cattle weighing less than 700 pounds from Mexico account for much of the increase in numbers imported in 1937. Nevertheless, the annual quota of cattle weighing 700 pounds and over allowed entry at the reduced rate of duty was filled by mid-August this year, whereas in 1936 it was not filled until November. The duty on such cattle after the quota is filled is increased from 2 to 3 cents a pound.

Imports of live cattle and calves from Canada, Mexico and other countries, 1934-36, and January to August 1936 and 1937

Year and month	Canada	Mexico	Other countries	Total
	Number	Number	Number	Number
1934.....	7,433	57,090	1,781	66,304
1935.....	125,786	251,370	963	378,124
1936.....	244,406	164,730	1,163	410,299
Jan. - Aug.				
1936.....	202,377	135,614	706	338,697
1937.....	244,342	171,692	1,118	417,152

The increase in the number of cattle and calves imported from January through August 1937 over those imported during the corresponding period of 1936 resulted largely from the forced selling of cattle in Canada and Mexico on account of short feed supplies and poor grazing conditions. In Canada, shortage of feed not only resulted from the drought of last year but there was a continuance of drought conditions in the western cattle area of that country in 1937. In Mexico, grazing conditions have been extremely poor this year in some important cattle areas. Because of the relative changes in the supply and demand factors in the two countries, the spread between cattle prices in the United States and those in Canada was considerably wider in the first 9 months of this year than in the corresponding period of last year. This spread has increased greatly since 1934, although it narrowed somewhat in 1936 when the rate of duty on certain classes of cattle was lowered on a specified quota of imports.

Prices of steers at Winnipeg, Toronto, and Chicago and spread between prices at Chicago and Winnipeg and Chicago and Toronto, 1934-36 and January to September 1936 and 1937

Year and month	: Winnipeg,	: Toronto,	: Chicago,	: Spread between	
	: good steers,	: good steers,	: average	: Chicago	: Chicago
	: over 1050	: over 1050	: good and	: and	: and
	: pounds	: pounds	: medium	: Winnipeg	: Toronto
	: 1/	: 1/	: steers 2/	: prices	: prices
	: <u>Dollars</u>	: <u>Dollars</u>	: <u>Dollars</u>	: <u>Dollars</u>	: <u>Dollars</u>
1934.....	4.22	5.56	6.24	2.02	.68
1935.....	5.33	6.40	9.80	4.47	3.40
1936.....	4.67	5.51	8.45	3.78	2.94
Jan. - Sept. :					
1936.....	4.58	5.53	8.24	3.66	2.66
1937..... 3/	6.68	7.76	10.99	4.31	3.23

1/ Monthly Bulletin of Agricultural Statistics, Ottawa, Good and Choice steers prior to 1936.

2/ Beef steers sold out of first hands for slaughter.

3/ Preliminary.



Because of the relatively small number of hogs on farms in this country and the smaller-than-average total supplies of meats available for consumption, cattle prices in the United States are likely to continue high in relation to those of most other countries during the next 2 or 3 years. Imports of cattle into this country during this period, therefore, may continue to be relatively large. In the western cattle area of Canada, however, drought conditions in 1936 and 1937 caused a heavy liquidation of cattle. As a result, imports of feeder cattle of all weights into this country from Canada were much larger than usual in the first 8 months of 1937. Because of the present shortage of feed grains in western Canada, supplies of Canadian-fed cattle probably will be relatively small in 1938. Hence, imports of slaughter cattle from Canada in 1938 are also likely to be relatively small, and if weather conditions in western Canada are more favorable in 1938 than in 1937 total imports of all cattle from Canada may be somewhat smaller than in 1937. Imports of canned beef in 1938 may continue large, although the volume of such imports will depend to some extent on the European market for chilled beef from South America. If exports of chilled beef from South America to Europe are increased in the next few years, the quantity of canned beef available for shipment to the United States may be somewhat further reduced.

#### Cattle Prices

Prices of the better grades of slaughter cattle recovered somewhat in the last half of 1936 after experiencing a sharp decline in the first half of that year. This advance, however, was partly seasonal in character, since prices of such cattle usually rise in the late summer and fall. The rise in prices which started in late 1936 continued through the greater part of the first 9 months of 1937. The advance in the prices of cattle of the better grades resulted chiefly because of the very small market supplies of such cattle for slaughter. Prices of such cattle ordinarily decline in the first half of the year. In late September the top price paid for slaughter steers at Chicago reached \$19.90 per 100 pounds, which was the highest September price at that market on record and was the highest price for any month since December 1919. Prices of best steers held above \$19 during most of October. For the month of September prices of Choice and Prime grade steers at Chicago averaged \$17.38 compared with \$13.12 in January and \$9.60 in September last year.

Prices of the lower grades of slaughter steers advanced slightly in the last half of 1936, whereas they usually decline in the second half of the year. From February through July 1937, prices of the lower grades advanced further. The trend in prices of cattle of these grades, however, is usually upward in the first half of the year. From August through October prices of the lower grades declined seasonally. Prices of Common grade slaughter steers at Chicago averaged \$8.01 in September compared with \$7.28 in January and \$6.35 in September a year earlier.

The rise in the prices of the lower grades of slaughter steers in the past year was much less pronounced than the advance in prices of the better grades, and this caused the spread in cattle prices to be much greater than average. The spread between the prices of Common grade steers and prices of Choice and Prime grade steers at Chicago in September this year was more than \$9.25, whereas in September last year it was only \$3.25. The spread in September this year was the greatest for all months in the 16 years of record.



Prices of stocker and feeder cattle advanced during the last half of 1936 and the first quarter of 1937. Little change occurred in the second quarter of this year, but there was a further advance in July and early August. Since mid-August prices of stocker and feeder cattle have declined somewhat, but in October prices of such cattle were more than \$1.50 per 100 pounds higher than a year earlier. The rise from July 1936 to August this year, however, was much less pronounced than the advance in prices of the better grades of slaughter cattle.

Although the cost of feed for finishing cattle in the past year has been very high, the margin between the cost of feeder cattle bought last fall and the prices of finished cattle in the spring and summer of this year was more than wide enough to offset the high cost of feed. Most cattle-feeding operations in 1937, therefore, have been generally profitable.

The prospects for large marketings of grain-fed cattle during most of 1938, and some weakening in consumer demand for meats, indicate that prices of the better grades of slaughter steers probably will decline more than seasonally in the first half of next year. The extent of this decline and the probable time that it will begin cannot be forecast with any certainty at present. In 1936 marketings of fed cattle were relatively large and much larger than in 1935, following the short corn crop of 1934. Prices of Choice and Prime grade beef steers at Chicago declined from about \$13 in late January 1936 to \$8.30 in early June of last year. Slaughter supplies of all cattle in that year, however, were larger than they have been in 1937 and probably were larger than they will be in the corresponding period of 1938. It now seems probable that total slaughter in the first half of 1938 will be considerably smaller than in the first half of 1936 and somewhat smaller than in the present year. The decline in prices of the better grades of cattle next year, therefore, may be no greater than in 1936 and will be from a higher level.

Prices of the lower grades of slaughter cattle probably will advance seasonally during the first half of 1938 and average higher than in the first half of 1937. In the second half of the year, however, they may average lower than a year earlier. The higher prices in the first half of the year will result chiefly because of the smaller number and proportion of cows and heifers and of the lower grades of cattle in the slaughter supply. Supplies of these kinds of cattle in the first half of the coming year will be small in relation to those of both the first half and the last half of 1937. The present unusually wide spread between prices of the better grades and prices of the lower grades of slaughter cattle will be reduced considerably during the first half of 1938 by an advance in the prices of the lower grades and a decline in those of the better grades.

Inspected slaughter, total live weight, and average prices paid by packers for cattle and calves, average 1924-33, annual 1934-36 and January to September 1936 and 1937

Year and month	Inspected slaughter <u>1/</u>		Total live weight		Average price per 100 pounds paid by packers	
	Cattle	Calves	Cattle	Calves	Cattle	Calves
	Thou- sands	Thou- sands	Million pounds	Million pounds	Dollars	Dollars
Average 1924-33 .....	8,850	4,819	8,433	848	7.48	8.78
1934.....	9,943	6,078	9,229	1,126	4.55	4.66
1935.....	9,666	5,679	8,794	1,075	6.54	6.95
1936.....	10,972	6,070	10,104	1,174	6.26	6.90
Jan. - Sept.						
1936.....	7,872	4,514	7,281	843	6.36	7.14
1937.....	7,396	4,837	6,660	892	7.78	7.99

1/ Bureau of Animal Industry. Excludes Government slaughter in 1934, 1935, and 1936.

Present indications are that prices of the best grades of cattle reached a cyclical peak in the fall of 1937 and that the highest prices paid have established a record that will stand at least until the peak of the next cattle price cycle occurs. The total live weight of cattle slaughtered in 1938 may be less than in 1937, but the slaughter supply will include a much larger proportion of the better grades. Hence, if there is no material reduction in demand, the weighted average price of all cattle in 1938 may be as high as or higher than in 1937. The cyclical peak in average prices for all cattle, therefore, may come somewhat later than that for the best grades. But it seems fairly certain that this peak will be reached by the end of next year.

#### Cattle Production Outlook

Present indications as to the size of the 1937 calf crop, total slaughter, and death losses in 1937 point to a small decrease in cattle numbers at the end of the year from the present estimate of 66,676,000 head January 1, 1937. This decrease is not expected to be more than 1 percent, in which case the number on January 1, 1938 would be about 66 million head.

Slaughter of cattle and calves under Federal inspection for 1937 is expected to total between 16 million and 16,500,000 head compared with the 1936 total of 17,042,000. Total slaughter of cattle and calves is expected to be about 25 million head. The calf crop of 1937 will be somewhat smaller than in 1936, and importations of cattle will be somewhat larger.

Most of the reduction in cattle numbers this year will again be in the area west of the Mississippi River, with some increase not unlikely in the area east of the River. This will result in a further expansion in the proportion of cattle in the latter area, which has been increasing since 1935 as shown in the accompanying table, and will bring the proportion to a new high point for many years.

The expected reduction in numbers this year will be largest in the States from Nebraska to Texas, with that in Texas being especially large and reflecting the record-marketings of both cattle and calves from that State in 1937. Present information indicates that shipments in 1937 from other States where numbers were sharply reduced following the droughts of 1934 and 1936 will be large enough to prevent any increase in numbers in those States this year.

If total cattle numbers on January 1, 1938 are smaller than a year earlier, as now seems probable, such numbers are expected to represent the low point in the current cattle number cycle, unless there is a recurrence of drought in 1938 or 1939. Should this be the cyclical low point, the interval between the high point of the cycle reached at the beginning of 1934 and the subsequent low point will be considerably shorter than in previous cycles, and the interval between the previous low point and this low point also will be shorter than usual. This shortening of the cycle will be a result of the droughts of 1934 and 1936, and the subsequent heavy commercial slaughter of cattle from the drought areas in those 2 years, together with the large Government purchases and slaughter in 1934 as a drought-relief measure.

Should 1938 prove to be the low point of the present cycle in cattle numbers, the number of cattle in the country will be much larger than at the end of other recent cycles. Since there is not likely to be much further upward trend in cattle numbers, such as that which has carried each succeeding low and high points of the cycle to a level higher than in the preceding cycle, the increase in the next cycle from the low point to the high probably will be much smaller than in the 2 preceding cycles.

The relationship in recent years between the yearly inspected slaughter of cattle and calves combined and the number of all cattle on farms at the beginning and end of the year indicates that with present numbers and the proportions of the different classes of cattle, a yearly inspected slaughter of about 15 million cattle and calves and a total slaughter of about 24 million can be maintained with little reduction in numbers. An inspected slaughter of 15 million head would be considerably larger than the average of the 10 years from 1924 to 1933, amounting to 13,661,000 head.

Such a slaughter during the next 2 years, when hog slaughter will continue small, would not prevent the maintenance of a fairly high average price for slaughter cattle. If consumer demand continues at about the 1937 level during the next few years the average price of all meat animals is likely to be maintained at fairly high levels, but if and when hog production returns to normal proportions, and if there is no compensating reduction in slaughter of other livestock, the average price of all meat animals will decline. Cattle prices in the last 3 years have been maintained at levels higher than would have prevailed had hog supplies been about average. It is to be expected, therefore, that the decline in the average price of all meat animals which may be expected when slaughter supplies of hogs increase will reflect declines in cattle prices that will be relatively as large as, or larger than, those in hog prices, even though cattle and calf slaughter may show no increase.



In view of the fact that present cattle numbers make possible a larger than average yearly slaughter supply of cattle and calves, any general tendency to increase numbers further by reducing marketings in the next few years is likely to result in an increase in slaughter several years hence, when hog slaughter and total meat supplies will be much larger than at present. Any advantage that might accrue to cattle producers during the next 2 years from withholding cattle from market to increase numbers is very likely to be much more than offset by the greater price declines that would result later when marketings were increased. It is highly probable, however, that some expansion will occur.

The areas where cattle numbers have been reduced the most are those where few alternative enterprises are available. If and when weather conditions in these areas make possible pasture and range conditions and a production of feed crops comparable to those prevailing before 1934, it is expected that there will be a strong tendency to expand cattle production. Unless this expansion is offset by reduction in areas where cattle numbers are now relatively large, total numbers in this country will increase. Undoubtedly cattle numbers in the areas where they are now relatively large are not at the maximum that such areas can maintain in average years from present feed resources. If soil conservation or other policies tend to increase these resources further by diverting more land to grass and hay production, a further increase rather than a decrease in cattle numbers may occur.

Cattle numbers by regions, January 1, specified years

	:	:	:	:	:	:	:	:	:	:	:	Percent-
	:	:	:	:	:	:	:	:	:	:	:	age of
	:North:	East	:South:	East	: West	:West	:West-	:East	:West	:Total	:total	
Year	:Atl-:	:North	:Atl-:	:South:	:North	:South	:ern	: of	: of	:United:	:East:	:West
	:antic:	:Cent-	:antic:	:Cent-	:Cent-	:Cent-	:States:	:Miss.	:Miss.	:States:	: of	: of
	:	:ral	:	:ral	: ral	: ral	:	:River	:River	:	:Miss:	:Miss.
	:	:	:	:	:	:	:	:	:	:	:River:	:River
	:Thou-	Thou-	Thou-	Thou-	Thou-	Thou-	Thou-	Thou-	Thou-	Thou-	Per-	Per-
	:sands	sands	sands	sands	sands	sands	sands	sands	sands	sands	cent	cent
1920	: 5,190	10,898	4,978	4,549	20,213	11,897	12,710	25,615	44,820	70,435	36.3	63.7
1925	: 4,472	9,721	4,241	3,777	19,464	10,503	11,195	22,211	41,162	63,373	35.1	64.9
1928	: 4,383	9,161	3,772	3,649	17,055	9,249	10,053	20,965	36,357	57,322	36.5	63.5
1930	: 4,647	9,659	3,855	3,782	18,784	10,091	10,185	21,943	39,060	61,003	35.9	64.1
1932	: 4,759	10,393	4,207	4,275	20,372	11,025	10,739	23,634	42,136	65,770	35.9	64.1
1934	: 4,879	11,101	4,732	4,831	22,936	13,510	12,271	25,543	48,719	74,262	34.4	65.6
1935	: 4,750	10,819	4,799	4,971	19,749	12,167	11,274	25,339	43,190	68,529	37.0	63.0
1936	: 4,789	11,208	4,670	4,703	20,213	11,351	11,032	25,372	42,596	67,968	37.3	62.7
1937	: 4,903	11,188	4,568	4,519	18,849	11,898	10,751	25,178	41,498	66,676	37.7	62.3



